BRITISH COLUMBIA

BC STATS

Ministry of Labour and Citizens' Services

Infoline

Contact: bcstats.infoline@gov.bc.ca *Issue: 05-33* *August 19, 2005*

- **Manufacturing shipments slip 0.8% in June; wood shipments down 3.5%**
- **Wholesale sales edge down in June**
- **New motor vehicle sales post second highest increase since March 2004**

The Economy

- **Shipments of goods manufactured in the province slipped back 0.8% (*seasonally adjusted*) in June, after posting a solid gain (+2.0%) in the previous month**. The decline in shipments was primarily due to a drop (-1.8%) in the value of goods shipped by manufacturers of durables, especially wood (-3.5%) and machinery (-10.0%) producers.

  On the non-durables side, BC's paper manufacturing industry saw shipments rise 1.6% in June, following a strong rebound (+3.9%) in May. Shipments by food (-1.9%) and beverage & tobacco (-1.7%) manufacturers were weak, but producers of most other non-durable goods made solid gains. Besides paper producers, manufacturers of leather & allied (+4.4%) and plastics & rubber (+3.3%) products manufacturers recorded higher shipments.

  On the durables side, only the computer & electronics (+11.9%) and miscellaneous (+28.3%) products industries increased their shipments. Producers of non-metallic minerals (-2.3%), primary metals (-1.4%), fabricated metals (-2.2%), and transportation equipment (-1.6%) did not fare well in June.

  Nationally, the value of shipments rose 0.5% in June, posting a quick recovery from the slight dip (-0.3%) in May. Shipments increased in six provinces, with Ontario (+0.2%) and Quebec (+0.7%) posting moderate gains. Besides BC (-0.8%), PEI (-4.2%), Manitoba (-2.0%) and Saskatchewan (-2.3%) all lost ground in June.

  Data Source: Statistics Canada

- **Sales of new motor vehicles in BC rose 5.4% (*seasonally adjusted*) in June, posting the second highest increase since March 2004**. Additional financial incentives offered by some car makers helped boost sales.

  New motor vehicles sales were up in all provinces, causing a 7.4% jump at the national level. Alberta (+12.1%) had the strongest growth rate, followed by New Brunswick (+11.5%) and Manitoba (+10.2%). *Data Source: Statistics Canada*

- **North American-built trucks (+6.6%, *unadjusted*) in BC showed the strongest year-over-year growth, but overseas car sales (+2.8%) were not as strong as in May.** In general, the market for trucks (including minivans and SUVs, +6.2%) was hotter than that of passenger cars (+4.9%). North American vehicles (+6.3%) showed much stronger sales than those produced by overseas manufacturers (+3.1%).

  Data Source: Statistics Canada

- **Wholesale sales in the province edged down in June, falling 0.3% from the May level (*seasonally adjusted*).** For Canada as a whole, sales rose 0.5%, due to strong sales in Quebec (+1.8%), Ontario (+0.9%), and New Brunswick (+1.0%). Saskatchewan (-7.2%) and Alberta (-0.7%) were the only provinces that had weaker wholesale sales than BC. *Data Source: Statistics Canada*

Tourism

- **The number of visitors entering Canada via BC border crossings inched down in June (-0.2%, *seasonally adjusted*).** The decline was due to a drop in overseas visits (-0.7%), while the number of U.S. visitor entries was unchanged. Fewer British (-1.8%) and Australian (-3.5%) travellers visited BC in June.

  Canadian travel abroad decreased (-3.7%) for the third consecutive month. Canadians made fewer trips to both the US (-1.2%) and other destinations (-1.1%).

  Data Source: Statistics Canada & BC Stats

Second Quarter in Review

- **BC manufacturers shipped $10.6 billion (*seasonally adjusted*) worth of goods in the sec-**

Report Migration Between Core and Peripheral Areas

Did you know...
More than half of British Columbians would rather sort through photos (24%), organize their kitchen cupboards (16%) or tackle their closets (14%) than deal with bills and finances. (*Source: Angus Reid*)

ond quarter, 1.1% less than in the previous quarter. The wood (-8.0%) industry lost ground substantially, causing the value of total durable shipments to plunge (-2.7%) for the third consecutive quarter. Fabricated metals (-0.5%) was the only other industry in the durables sector that saw fewer shipments.

Producers of pulp and paper products saw shipments rise 2.8%, while shipments by food manufacturers edged down 0.8% in the second quarter. In total, producers of non-durables shipped 1.3% more than in the previous quarter.

Canadian manufacturers didn't fare well in the second quarter, with the total value of shipments slipping 0.7%. Four out of ten provinces registered quarterly losses, ranging from -1.1% in BC to -7.6% in Newfoundland. In the rest of the country, PEI (+12.5%) experienced the strongest gain, followed by Nova Scotia (+4.5%), and Alberta (+3.2%).

Data Source: Statistics Canada

- **British Columbia wholesale sales expanded 3.3% (*seasonally adjusted*) in the second quarter, above the 1.4% growth experienced in the previous quarter.** Nationally, sales rose 2.3%, with only New Brunswick (-3.8%) and PEI (-1.7%) losing sales. *Data Source: Statistics Canada*

- **There were 47,500 (*seasonally adjusted*) new motor vehicles sold in BC in the second quarter, an increase of 5.3% over the previous quarter.**

Canadian new motor vehicle sales inched up 0.4% to 407,300 units. Saskatchewan (+12.4%), British Columbia (+5.3%), and Alberta (+3.9%) car dealers sold significantly more vehicles, while Ontario (-1.8%) and Quebec (-0.9%) dealers saw slower business in the second quarter.

Data Source: Statistics Canada

Heavy Drinkers and Depression

- **According to a new study by Statistics Canada, about 24% Canadians who were considered dependent on alcohol in 2001 had suffered from depression at some point in the previous year.**

Using data from the 2000/01 Canadian Community Health Survey, the study found that only 427,000 out of 3.7 million regular heavy drinkers were considered dependent on alcohol. About one-quarter of this group had experienced periods of depression in the previous year.

Depressed Canadians were 3.5 times more likely to be classified as alcohol dependent than those who did not experience depression. Women who were alcohol dependent were almost twice as likely as men to have suffered from one or more depressive periods.

Data Source: Statistics Canada

Canadian Cattle

- **On July 18th, the US accepted the first shipments of Canadian live cattle since the border closure in May 2003.** Although the US partially lifted the ban on Canadian beef back in September 2003, BSE had a huge impact on the national cattle industry. In 2002, live cattle and beef exports hit $3.9 billion, while in 2004 exports slumped to less than half ($1.9 billion) of the 2002 level.

The national cattle herd, however, is in recovery. In July 2005, a record of 17.3 million head of cattle was counted across Canada, over half a million more than the level in 2004.

Data Source: SC, Catalogue no. 23-012-XIE

The Nation

- **Canadian investment in foreign securities increased by $5.4 billion in June, after a relatively quiet May ($373 million).** The rise in investment was due to purchases of foreign bonds ($2.2 billion), stocks ($1.5 billion), and money market paper ($1.7 billion).

After purchasing a large amount of Canadian bonds in May ($2.6 billion), foreign investors shed some of their Canadian holdings in June. Investors sold $1.2 billion worth of bonds, $447 million worth of stocks, and $410 million worth of money market paper. *Data Source: Statistics Canada*

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For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

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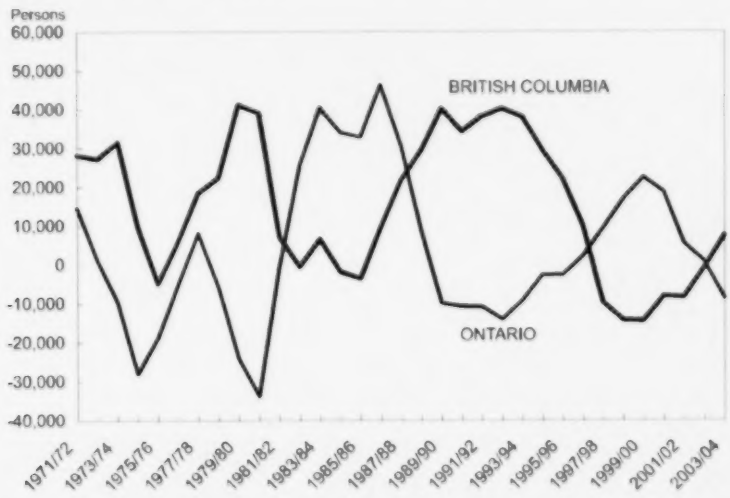
Migration Between Core and Peripheral Areas

Springtime weather has allowed housing starts to climb rapidly again in BC; however, fewer units are being built in Ontario and Quebec. Rising commodity prices have resulted in more employment in the resource sector; however, for Central Canadians, manufacturers have been contending with higher input costs as well as increased competition from imported finished products. Over the last year, more people have been moving into BC from other provinces than out, once again resulting in positive net migration. At the same time, an increasing number of people are moving out of Ontario. Migration flows can help describe an important relationship between core and peripheral regions.

Over 12,000 more people moved in to BC than out, since the 2nd quarter of 2003

Within Canada, migration between provinces has fluctuated. As the graph shows, net migration for BC has oscillated with peaks followed by valleys, and reflects the 'boom and bust' nature of the economy. Net migration for Ontario has also fluctuated but in the opposite pattern. When net migration is most positive for BC, it is most negative for Ontario and vice versa. The one time period when the ebb and flow are not consistent between the provinces occurred in the mid 1970s, and is largely attributed to the general economic slow-down associated with the first OPEC oil shock.

Net Interprovincial Migration



Over 15,000 more people moved out of Ontario than in, since the 2nd quarter of 2003

Source: Statistics Canada

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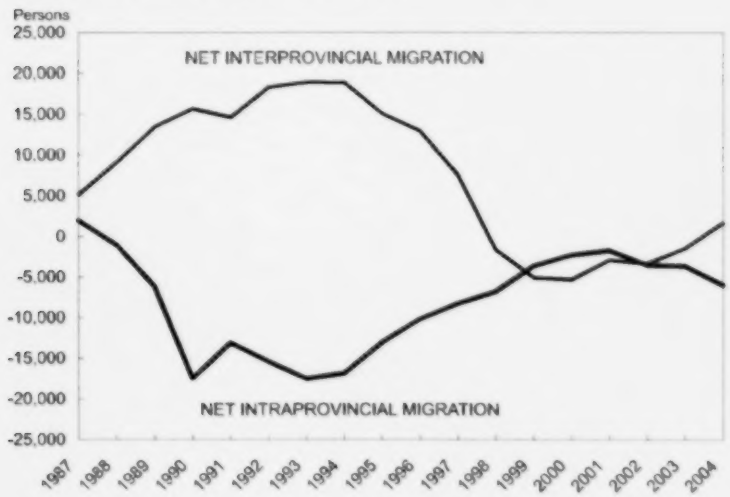
The migration of people within the nation can be viewed in terms of the relationships between the extraction of raw resources and the movement of goods through processing facilities and then to retailers and eventually to customers. When there is an abundance of raw material, processors benefit from lower input costs resulting in more employment, outputs of refined products, and services. When the supply of raw resources declines, manufacturing tends to slow as commodity prices rise, although manufacturers of heavy equipment may do well.

Nationally, over 90,000 jobs have been lost in the manufacturing sector in the last 12 months. The majority of these were in Central Canada.

Most manufacturing, along with the attached administrative services, is found where most people live. In Canada, the most densely populated areas are found in the Windsor-Quebec City corridor. On the other hand, commodities are found in abundance where there are fewer people. As the supply of raw resources declines, its value rises, increasing employment opportunities in rural areas. In order to increase the supply of raw materials, wages rise, attracting migrants who are prepared to move out of higher to less densely populated areas. On the other hand, when there is an abundance of raw material available, commodity prices decline and manufacturing benefits from lower input costs.

Internal Migration to and from the Greater Vancouver Regional District [1]



When commodity prices are high, rural regions lose fewer people and gain migrants from core areas.

Source: Statistics Canada

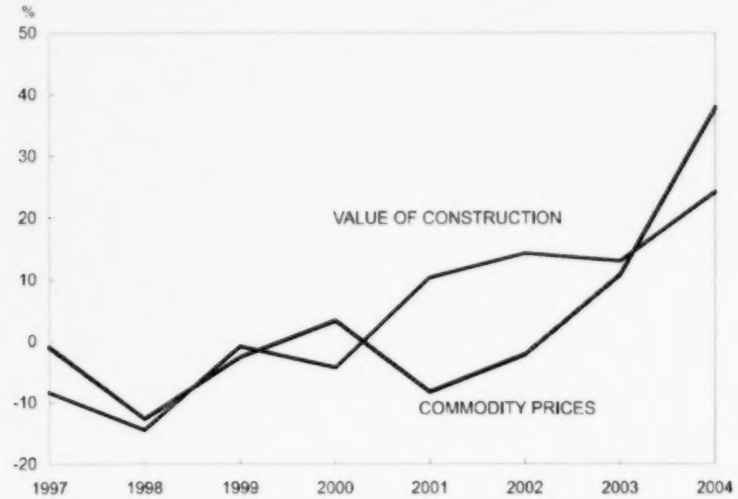
[1] Internal migration refers to migration within the nation. Intraprovincial migration refers to migration within a province, while interprovincial migration refers to migration between provinces

An increase in the extraction of raw resources results in increased transportation and warehousing as well as the attached administrative services. Not only do people move out of the nation's core to the resource-rich regions, but an increasing number of people move from the regional centres to the less densely populated rural areas.

One of the first migrants on the scene, whether during expansion into peripheral areas, or during contractions back to core areas, are builders. When the price of commodities increases, the building of extraction facilities, as well as transportation networks and housing, results in increased human (and consequently economic) activity in less densely populated areas. The reverse occurs when the price of commodities declines and employment opportunities in manufacturing increase. Currently, the most manufacturing-oriented regions in the country are experiencing weakening activity, while resource-based economies are growing.

During the last year, over half of the increase in construction employment nationally, occurred in BC.

Aggregated Commodity Prices and Total Building Permit Value (Percent Change)



Source: Statistics Canada; BC Ministry of Energy, Mines and Petroleum Resources.

Commodities are in high demand and more people are moving into BC once again.

Since the value of the Canadian dollar relative to the US dollar largely reflects the change in the value of raw resources, it also correlates with net migration to and from resource-based economies. As the value of the Canadian dollar relative to the US dollar and commodities rise, migration to resource-based economies also tends to rise.

Exchange Rate and BC Net Interprovincial Migration

Source: Pacific Exchange Rate Service; Statistics Canada

Urbanization in China has helped increase interprovincial migration to BC.

Given the cyclical nature of resource-based activity, it is likely that fluctuations will continue to occur in the future. Two important factors that influence migration are at work currently. The urbanization of China with its complementary increase in mechanization, driven by an increased use of fossil fuels, is resulting in an increase in demand for raw resources, and at the same time increasing the supply of finished products. This will likely continue to put pressure on Canadian manufacturers, thereby increasing out-migration from the Windsor–Quebec City corridor. At the same time, resource-based economies, particularly those with fossil fuels, will likely have an increase in in-migration.

If the transition in China from an agrarian to an industrial economy continues, even at a moderate rate, the bust side of the cycle may be avoided, at least for a while. However, without the benefit of a capable manufacturing sector, negative net migration for British Columbia may occur again.

Infoline

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BC at a glance . . .

POPULATION (thousands)	Apr 1/05	% change on one year ago
BC	4,232.5	1.2
Canada	32,146.5	0.9
GDP and INCOME	2004	% change on one year ago
(BC - at market prices)		
Gross Domestic Product (GDP) *($ millions)*	156,481	7.5
GDP *($ 1997 millions)*	138,783	3.9
GDP *($ 1997 per Capita)*	33,072	2.8
Personal Disposable Income *($ 1997 per Capita)*	20,002	1.2
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Jun	3,551	-0.8
Merchandise Exports - Jun	2,858	7.7
Retail Sales - May	4,123	-0.3
CONSUMER PRICE INDEX	Jun '05	12-month avg % change
(all items - 1992=100)		
BC	125.4	2.1
Canada	127.2	2.1
LABOUR FORCE (thousands)	Jul '05	% change on prev. month
(seasonally adjusted)		
Labour Force - BC	2,266	0.4
Employed - BC	2,125	0.0
Unemployed - BC	140	7.6
		Jun '05
Unemployment Rate - BC *(percent)*	6.2	5.8
Unemployment Rate - Canada *(percent)*	6.8	6.7
INTEREST RATES (percent)	Aug 17/05	Aug 18/04
Prime Business Rate	4.25	3.75
Conventional Mortgages - 1 year	5.00	4.40
- 5 year	5.90	6.30
US/CANADA EXCHANGE RATE	Aug 17/05	Aug 18/04
(avg. noon spot rate) Cdn $	1.2076	1.3074
US $ *(reciprocal of the closing rate)*	0.8243	0.7663
AVERAGE WEEKLY WAGE RATE	Jul '05	% change on one year ago
(industrial aggregate - dollars)		
BC	698.02	2.5
Canada	701.94	3.8

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Labour market characteristics of off-reserve Aboriginal population

It is now possible to examine the labour market characteristics of off-reserve Aboriginals. The data, from an expanded sample of Aboriginal peoples in the labour force survey, highlight some defining characteristics that contribute to their experience. In the past, this type of data has been available from the census but was limited to a snapshot taken in mid-May at five year intervals. A full year of sampled monthly data, fully integrated to the labour force survey, will be of great interest to researchers, policy makers and other users.

On-line at
www.bcstats.gov.bc.ca/data/lfs/abor/ap_index.htm

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Next week

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- Consumer Price Index, July 2005

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